

TEACHERS' RETIREMENT BOARD
BUDGETS AND AUDITS COMMITTEE

SUBJECT: School District Final Audit Report

ITEM NUMBER: 10

ATTACHMENTS: 2

ACTION: _____

DATE OF MEETING: July 13, 2000

INFORMATION: X

PRESENTER: Way Lee

1. San Diego Community College District
2. North Sacramento School District

In accordance with auditing standards, the results of our audits are presented to the Budgets and Audits Committee to facilitate its oversight responsibility. The attached Executive Summaries present the highlights of two final audit reports we issued in the period of January through June 2000.

San Diego Community College District did not report any post-retirement earnings it paid to nine retired members in 1997-98. Two of these employees' earnings exceeded the CalSTRS earnings limitation by a total of \$1,284. For two other retired members, the District under-reported earnings, however, the auditor noted that the earnings did not exceed the limitation set by CalSTRS for the year. When post-retirement earnings are not reported to CalSTRS, the System is not able to make required adjustments should the annual earnings limitation be exceeded.

North Sacramento School District did not give its employees proper notification of the right to elect CalSTRS membership. The North Sacramento School District did not properly notify its part-time employees and substitute teacher employees of the right to elect CalSTRS membership. District officials stated that employees were given CalSTRS membership publications when they made an appointment with the payroll office to complete new hire payroll forms. However, the district did not use or maintain completed copies of the required CalSTRS form, "Permissive Election and Acknowledgement of Receipt of CalSTRS Defined Benefit Plan Membership Information" (Form MR1434 revised to Form MR 350 effective July 1, 1998), to document its notification.

The cost to complete these two audits, which includes staff time, travel, and per diem, was \$25,787. With total savings of \$1,284 to the System, the audit benefit was more than \$0.05 for each \$1 expended. Also important are the on-site training that occurs as a by-product of audit discussions in the field and the deterrent effect of the program of auditing randomly selected districts.

**Office of Audits
Executive Summary
For the Budgets and Audits Committee
Findings & Adjustments Needed
Audit of San Diego Community College District
San Diego, CA**

Period Audited: July 1, 1997 to June 30, 1998- For Audit of Post-Retirement Earnings

Audit Report Date: January 24, 2000

Audit Cost-Benefit Summary:

<u>Benefit:</u>		<u>Cost:</u>
Corrections to contributions	\$ 0	Direct costs
Retirement allowance, unfunded liability (net present value)	0	(Staff salaries, fringe benefits, travel and per diem)
Excess sick leave (net present value)	0	<u>\$ 6,213.92</u>
Excess post-retirement earnings	<u>1,284</u>	
TOTAL DOLLAR EFFECT	<u>\$ 1,284</u>	Benefit per Dollar Spent \$.21

1. Finding:

The district's payroll computer program erroneously excluded the reporting of post retirement earnings for certain employees. The San Diego Community College District did not report any post-retirement earnings it paid to nine retired members in 1997-98. Two of these employees' earnings exceeded the CalSTRS earnings limitation by a total of \$1,284. For two other retired members, the District under-reported earnings. The auditor noted that the earnings did not exceed the limitation set by CalSTRS for the year. However, when post-retirement earnings are not reported to CalSTRS, the System is not able to make required adjustments should the annual earnings limitation be exceeded.

Adjustment Needed

The District must report to CalSTRS all creditable earnings for the two retired members whose earnings exceeded the \$18,300 earnings limitation.

The District should review all retirees' earnings for the fiscal years 1998-99, and 1997-98, and 1996-97 to determine if there were any unreported earnings in excess of the earnings limitations applicable to those years. If so, the district should report all of these members' creditable earnings to CalSTRS. The District should also delete the exclusion code from its payroll system. In addition, the District must establish a system to ensure that all post-retirement creditable earnings are reported to CalSTRS.

**Office of Audits
Executive Summary
For the Budgets and Audits Committee
Findings & Adjustments Needed
Audit of North Sacramento School District
Sacramento, CA**

Period Audited:	July 1, 1997 to June 30, 1998	For Audit of Active Members
	July 1, 1994 to December 31, 1998	For Audit of Retired Members
	July 1, 1997 to June 30, 1998	For Audit of Post-Retirement Earnings

Audit Report Date: June 7, 2000

Audit Cost-Benefit Summary:

<u>Benefit:</u>		<u>Cost:</u>	
Corrections to contributions	\$ 0	Direct costs	
Retirement allowance, unfunded liability (net present value)	0	(Staff salaries, fringe benefits, travel and per diem)	
Excess sick leave (net present value)	0		<u>\$ 19,573.20</u>
Excess post-retirement earnings	<u>0</u>		
TOTAL DOLLAR EFFECT	<u><u>\$ 0</u></u>	Benefit per Dollar Spent	\$ 0
Unreported post-retirement earnings	<u><u>\$ 0</u></u>		

1. Finding:

The District did not give its employees proper notification of the right to elect CalSTRS membership. The North Sacramento School District did not properly notify its part-time employees and substitute teacher employees of the right to elect CalSTRS membership. District officials stated that employees were given CalSTRS membership publications when they made an appointment with the payroll office to complete new hire payroll forms. However, the district did not use the required CalSTRS form, "Permissive Election and Acknowledgement of Receipt of CalSTRS Defined Benefit Plan Membership Information" (Form MR1434 revised to Form MR 350 effective July 1, 1998), to document its notification.

Corrective Action: We recommended that the District notify all non-CalSTRS part-time and substitute employees who perform creditable service in the 1999-2000 school year and thereafter of their right to elect membership and to keep a copy of the notification form in the employees' personnel files.